Dave Ehlinger

From: Dave Ehlinger
Sent: Friday, December 15, 2023 9:11 AM
Cc: Rodney J. Scheel; Pete Manley; Tim Swadley; Matthew Dregne ; Rick A. Manthe
Subject: FW: 360 Homes LLC remarks before the RDA 12-13-2023 meeting.pdf
Attachments: 360 Homes LLC remarks before the RDA 12-13-2023 meeting.pdf; Brink Riverfront Redevelopment Project Milestones.pdf

Common Council members:

December 13th was the first scheduled date for Stoughton Riverfront Development LLC (i.e. Curt Brink) and his marketing team (360 Homes LLC) to meeting with the Stoughton Redevelopment Authority (RDA) for updates on where they are pertaining to pre-selling condominiums.

Due to a variety of factors, they are not allowed to market through the Multiple Listing Service (MLS) at this time. As such, they are not able to meet all of the milestones listed for 12/13/2023 and 12/16/2023 (attached).

Attached is a PDF document provided by 360 Homes for the issues that have been discovered so far and what they have achieved.

360 Homes is working with Matt Dregne to update the milestone documentation based upon conversation during the RDA meeting. It is anticipated that the RDA may meet on 01/03/2024 to go over the proposed revisions to the Offer to Purchase milestones. It is possible that this matter may appear as a time sensitive item on the 01/09/2024 Common Council agenda.

If you have any questions, please feel free to contact me.

Thanks,

Dave

From: Tim Swadley <TSwadley@cityofstoughton.com>
Sent: Thursday, December 14, 2023 4:18 PM
To: Dave Ehlinger <DEhlinger@cityofstoughton.com>
Subject: RE: 360 Homes LLC remarks before the RDA 12-13-2023 meeting.pdf

That would be great. You may want to provide a brief context.

Tim Swadley
Mayor-City of Stoughton
207 S. Forrest St.
608-873-6459

From: Dave Ehlinger <DEhlinger@cityofstoughton.com>
Sent: Thursday, December 14, 2023 3:46 PM
To: Tim Swadley <TSwadley@cityofstoughton.com>
Subject: 360 Homes LLC remarks before the RDA 12-13-2023 meeting.pdf

Tim,

This document has been added to the City's website at https://stoughtoncitydocs.com/redevelopment-authority.

Did you want this document shared with the Common Council members at this time?

Thanks,

Dave

360 HOMES LLC REMARKS BEFORE THE RDA Dec. 13, 2023 MEETING

Thank you for having us here today to discuss the Stoughton Riverfront project. It has come to our attention that the communication lines have not been sufficient, so we would like to bring you up to date on our efforts and on important information which has a direct bearing on the project.

As a sort of quick recap, at the October 11 meeting of the RDA, we proposed starting marketing of the project as early as the beginning of November. This marketing was to include entry into the Multiple Listing Service, opening a storefront marketing center, and direct marketing to key brokerages. At that time, you made it clear that it was very important to the RDA that we obtain some kind of letter from the lender expressing what terms we needed to meet to get a loan commitment. It was our understanding that we would have an initial deadline of June 1, 2024 to get that letter.

With that in mind, we met with the lender to get an update on the current financial market, and to get any guidance they could offer about timing: what we might be able to bring to the table to get a terms sheet; how soon we might be able to get a terms sheet; whether there would be any other requirements; how long to get a loan commitment, etc. The lender started by explaining that liquidity is a big problem right now, not just for our lender, but across the local financial markets. Lenders are holding what cash they have for current clients and there is no money for new projects. Generally speaking, commercial lending is in a difficult place right now and not many projects are getting funded at all. The estimate for that to change is a year and possibly longer. Based upon this lending environment, it was explained that there is no real possibility of getting a loan commitment before that time.

We were able to have them give rough ideas about what terms were conceivable, but again, nothing for sure, just ballpark ideas which we can tentatively look at as guideposts for what we are likely to need to strive for:

1) Presale requirement – at least 50%, but possibly as high as 100%
2) First 50% of buyers would have to be cash or cash equivalent buyers
3) Equity requirement of at least 40%

Knowing that a loan commitment is not possible until a year from now and knowing that the likely requirements will be somewhat onerous, challenges the entire timeline and approach to marketing. This means that even if we start marketing right away, we feel obligated to make you aware of the downside of marketing immediately.

The first downside is that we can't yet put the listing on MLS at this time.

In order to list a property, MLS rules require that we offer a commission to cooperating brokers to bring a buyer who can enter into a contract to purchase property. It is possible to market this project even though it is not yet built, but we would need to have certain key terms under which the property can be acquired, including price, timing, and conditions required by the lender to green light the project in order to be able to enter it into the MLS. When we learned the actual state of lending right now, it became clear that we were nowhere near having sufficiently detailed information to be able to entice a buyer to agree to a contract in the first place, let alone have an enforceable contract. This means that MLS rules would not permit us to enter the project into the MLS.

The second downside is that we can't market properties that aren't on MLS.

MLS rules prohibit us from marketing properties, like with the storefront or directly to other brokerages, without a listing contract and entering them into the MLS. Thre is a sort of work around. The only possibility of gathering buyer information would be creating a canvassing process which is carefully introduced as more like a survey and specifically not as marketing for sale. I believe the term "feasibility study" may have been thrown around, but lenders have a specific understanding of what that entails, in particular a third-party report. What we intend to do first we would like to refer to as "canvassing". Simply put, we would be checking with brokers and potential buyers to gauge interest in the project.

The third downside is that the lender may not view the data at this early stage as being as persuasive.

This canvassing process we are discussing is something that the lender considers as having some merit, i.e. potential to make progress towards getting financing. It is important to note, however, that the lender would prefer this canvassing effort to be closer in time to the project being approved to have the most persuasive authority.

The fourth downside is the risk of becoming stale and losing buyer confidence.

As a real estate broker selling a listed property, my goal is to get people excited about a property, to get them to sense the urgency, and then to get them to act quickly in purchasing it. By marketing too early we risk getting people interested and then asking them to wait for a year or more. There is no urgency and there is no way to get them to act quickly. There is no way to get them to commit in a meaningful way. Over time, buyers will become disaffected or go in a different direction, and

they will begin to share their negative opinions with their sphere of influence in Stoughton. We want to avoid this outcome.

Our intended approach, as I mentioned, is to begin with canvassing rather than full on marketing. We can avoid some of the risks while at the same time beginning to spread the word about the project and gather information about interest.

We have been made aware that our understanding does not align with the RDA's understanding regarding deadlines. Specifically, the developer's agreement has a December 16, 2023 deadline for the commencement of the three phases of marketing, and there is a March 1, 2024 deadline to obtain a terms sheet from the lender. Given the foregoing description of the financial picture, both of these deadlines are problematic.

We propose that for the canvassing effort, we wait until the first week of January. Starting the canvass right now, in the two weeks before the holidays is perhaps the single worst time of the year to try to get someone's attention. In essence, our effort will be almost a month old before most people pay attention to it

We realize this is going to come as a great disappointment. I can say with all sincerity that we are just as disappointed. Everyone in this room shares a strong desire for this project to be successful and completed in a timely fashion. We recognize that you, the members of the RDA, have a special responsibility of oversight to see to it that the taxpayers' money is not wasted and that the project is done properly. We ourselves don't see dollar one until the project is completed and sales are closed. On the other hand, we have absolutely no desire to delay or push something that isn't viable. Delay is inescapable under the current conditions. But the delay in full-scale marketing is necessary and it will help us avoid negative outcomes like waning interest and the undermining of the credibility of the project.

Here is what we would like to propose:

1. Website: start immediately. Go to stoughtonriverfrontcondos.com
2. Storefront: start Dec. 16 by posting material in the window.
3. Start outreach to other brokers in early January, more directed inquiries about actual buyer interest.
4. No MLS until we have a terms sheet from the lender and can start actual presales.

Brink Riverfront Redevelopment Project Milestones

December 13, 2023 - RDA Meeting: Beginning with the first regular RDA Board meeting after this Agreement is executed by all parties, and continuing until Buyer delivers a loan commitment to the City Finance Director or June 1, 2024, whichever is sooner, one or more representatives of 360 Homes LLC must attend the regular meetings of the RDA board and provide a status report relating to the Project that includes at least the following information:

- The overall number of inquiries by interested parties.
- The number of buyers registered.
- The number of 1, 2, and 3 bedroom units sought by potential buyers.
- Aggregated, anonymized demographic information describing interested parties, including age group and family size.

December 16, 2023: Buyer must provide documentation to the City Finance Director, that is satisfactory to the RDA, that 360 Homes LLC has initiated the following marketing activities relating to the Project:

1. Entry into the Realtors Association Multiple Listing Service;
2. Set up storefront marketing center in a commercial building on Main Street in the City of Stoughton, including flyers, video monitor, layout boards, and other marketing materials;
3. Direct marketing to select brokers active in condominium sales.
4. Direct marketing to select brokers active in Stoughton sales;
5. Open house hours at the storefront marketing center.

January 10, 2024 - RDA Meeting: One or more representatives of 360 Homes LLC must attend the regular meetings of the RDA board and provide a status report relating to the Project that includes at least the following information:

- The overall number of inquiries by interested parties.
- The number of buyers registered.
- The number of 1, 2, and 3 bedroom units sought by potential buyers.
- Aggregated, anonymized demographic information describing interested parties, including age group and family size.

February 14, 2024 - RDA Meeting: One or more representatives of 360 Homes LLC must attend the regular meetings of the RDA board and provide a status report relating to the Project that includes at least the following information:

- The overall number of inquiries by interested parties.
- The number of buyers registered.
- The number of 1, 2, and 3 bedroom units sought by potential buyers.

- Aggregated, anonymized demographic information describing interested parties, including age group and family size.

March 1, 2024: Term Sheet and Brownfield Grant Submission

- By not later than March 1, 2024, Buyer must deliver to the City Finance Director a nonbinding document from Buyer's lender describing the terms and conditions under which the lender would be willing to provide a loan to finance the construction of the Project and the Public Improvements that contain the following information, and that is satisfactory to the RDA and the City in their sole discretion:
    - Describes the maximum loan to value ratio.
    - Describes the lender's equity requirements from borrower, including any limitations on how borrower may satisfy the equity requirements.
    - Describes lender covenants.
    - Describes any deadline or deadlines established by lender.

- By not later than March 1, 2024, Buyer must deliver to the City Finance Director a determination by the Wisconsin Economic Development Corporation ("WEDC") that Buyer has submitted a complete application for the Brownfield Grant

March 13, 2024 – RDA Meeting: One or more representatives of 360 Homes LLC must attend the regular meetings of the RDA board and provide a status report relating to the Project that includes at least the following information:

- The overall number of inquiries by interested parties.
- The number of buyers registered.
- The number of 1, 2, and 3 bedroom units sought by potential buyers.
- Aggregated, anonymized demographic information describing interested parties, including age group and family size.

April 10, 2024 – RDA Meeting: One or more representatives of 360 Homes LLC must attend the regular meetings of the RDA board and provide a status report relating to the Project that includes at least the following information:

- The overall number of inquiries by interested parties.
- The number of buyers registered.
- The number of 1, 2, and 3 bedroom units sought by potential buyers.
- Aggregated, anonymized demographic information describing interested parties, including age group and family size.

May 8, 2024 – RDA Meeting: One or more representatives of 360 Homes LLC must attend the regular meetings of the RDA board and provide a status report relating to the Project that includes at least the following information:

- The overall number of inquiries by interested parties.
- The number of buyers registered.
- The number of 1, 2, and 3 bedroom units sought by potential buyers.
- Aggregated, anonymized demographic information describing interested parties, including age group and family size.

June 1, 2024: Buyer must deliver to the City Finance Director a binding agreement from Buyer's lender to provide a loan to finance the Project the Public Improvements that contain the following information, and that is satisfactory to the RDA and the City in their sole discretion:

- Describes the maximum loan to value ratio.
- Describes the lender's equity requirements from borrower, including any limitations on how borrower may satisfy the equity requirements.
- Describes lender covenants.
- Describes any deadline or deadlines established by lender.
- Describes any closing conditions established by lender.